



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 7/18/2001

GAIN Report #JA1066

## Japan

### Solid Wood Products

# Where is Japan's Secondary (Used) Housing Market? 2001

Approved by:

**Casey Bean**

**U.S. Embassy, Japan**

Prepared by:

Masaoki Nagahama

---

#### Report Highlights:

**Virtually no secondary (used ) housing market exists in Japan. But the Government of Japan is finally turning its attention to this unexploited and potentially huge building materials market sector with a new policy focus on infrastructure identification and improvement.**

---

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Tokyo [JA1], JA

Last year, the U.S. government, through its bilateral trade talks with the Government of Japan on the wood and housing sector, asked Japanese government officials to help deregulate and invigorate Japan's secondary housing market. This is a potentially a huge, unexploited market sector for wood consumption. Japan, with a population of about 50% of the U.S. population, builds approximately the same number of houses each year as the United States. Japan lags far behind the U.S. secondary housing market as covered in the report.

Below is a report on what's happening" on the policy front in this important sector. Japanese government ministries are part of the executive branch of government, with each minister serving as a member of the cabinet in power. A Japanese ministry, working closely with members of the legislature, plays a crucial role in the public policy formulation by means of an "advisory council" responsible to the minister. Any agenda item, undertaken by the council at a Minister's request, is bound to develop into a specific policy recommendation which will become a bill for legislation.

In late May 2001, an advisory council of academic and industry experts, commissioned by the Minister of Land, Infrastructure and Transport to debate public policy issues in Japan's housing and residential property sector for an eventual "policy recommendation", hosted its 3<sup>rd</sup> meeting. The meeting agenda included the following policy issues of critical importance to the future of housing policy resulting from the growing social and economic needs to improve infrastructure in Japan's residential housing sector.

- New Housing Action Program for the Government of Japan.
- Ways and means of developing a system to activate information disclosure in the real estate market on the history of existing housing stock in Japan.
- Public policy measures to facilitate replacement of existing mid-to-high rise condominiums with new construction.
- Policy measures to deal with rapid growth of aging population in Japan.

The "new housing action program" on top of the agenda was a follow-up to the Japanese Government's 8<sup>th</sup> round of 5-year housing construction program, approved as a cabinet decision in March 2001 in which the central policy was "helping improve the housing market and industry infrastructure to make industry resources and market information more user-friendly and accessible to the consumers". While the sheer number of existing housing units outnumbers the number of households and the average quality of detached, custom homes has come a long way to achieve a high level of standard, Japan lags far behind other advanced countries in modernization of many other facets of the residential housing market. The new policy, incorporated in the Government's 5-year housing construction program, seeks to address the following strategic issues.

- Promote High Durability & Quality in the housing stock:
  - ▮ Requirements for "**all new housing construction**" on the ongoing market.
- Promote Better Maintenance and Upkeep of the housing stock:
  - ▮ Help improve infrastructure for the "**reform housing market**".

- Promote Flow of the existing housing stock:
  - Help invigorate industry transactions and activities in the "**secondary and rental housing markets**".

In order to implement these policies, the following 4 programs are laid out as essential elements.

- (1) Information Disclosure.
- (2) Rule making.
- (3) Mechanism for Conflict and/or Dispute Resolution.
- (4) Technology Development.

More specifically, some of the action programs established to achieve each of these broader policy goals are as follows by market sector.

**" Secondary Housing Market Sector:**

- Develop and promote an inspection and performance data disclosure program on the existing stock of used houses. (JFY2002)
- Develop and promote seismic performance criteria and methodology for information disclosure on the existing stock of used houses.(JFY2001)
- Develop a housing quality assurance program for used homes against unexpected liabilities.(JFY2001)

**" Rental Housing Market Sector :**

- Network on the internet of market information on rental houses available(JFY2001)
- Develop performance criteria and information disclosure program for rental houses (JFY2001)
- Survey rental housing market, based on the recently enacted "Fixed-Term Rental House Act".(JFY2001)

**" Reform Housing Market Sector:**

- Develop and introduce on the internet a standard format of "reform contract" for prospective consumers to work with when placing "reform orders" with contractors. (JFY2001)
- Explore an inspection program to monitor the completed performance of a reform job undertaken by contractors for consumers. (JFY2001)
- Develop and promote the use of "housing components and parts", based on a standardized set of "reform parts" engineered for the existing housing structures. (JFY2001)
- Develop a guideline on appropriate steps to be taken by homeowners for upkeep of their houses, based on the results of inspection and reviews of reasonable performance criteria.(JFY2002)

The secondary housing market in the United States totaled 4,380,000 units in 1997; in contrast, the size of Japanese market in the same year was only 160,000 units. In contrast, variance in the market size of new housing construction between both countries was only 1.4 times in 1999, for example, with the U.S. starting 1.67 million and Japan doing 1.22 million units in the same year, showing an obvious stage of underdevelopment in Japanese secondary housing market.

In February 2001, a survey mission was dispatched to the U.S. market by the Japan Federation of Housing Industry Associations, an industry group of home building companies, in order to study industry and market practices in the U.S. housing sector. They discovered a number of legal and commercial institutions and programs playing crucial roles as boosters of its secondary housing market not found in Japan.

The industry initiative, as expected, is leading up to the creation in May of several "task force groups" within the Federation, commissioned to address a diverse range of issues and areas for improvement in the Japanese infrastructure. The lead "task force" committee members, consisting of professional representatives from the housing industry, met for the first time on May 18, 2001, and are scheduled to come up with the first round of a policy recommendations in July 2001.

Many of the policy issues incorporated in the new Japanese Government's focus on the secondary and reform housing markets represent an outgrowth from bilateral wood and housing product trade talks between the U.S. and Japan conducted last year. With Japanese housing market having achieved a state of maturity in the housing stock and population growth expected to peak during the current decade, Japan's housing policy is finally shifting directions from its traditional emphasis on housing starts toward a greater focus on the infrastructure improvement of existing housing stock for some 55,000,000 houses to invigorate the secondary and rental housing market.

END OF REPORT